

Message Text

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TO SECSTATE WASHDC 932

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AMEMBASSY TAIPEI

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C O N F I D E N T I A L HONG KONG 6020

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TAGS : ETRD CH JA

SUBJ: JAPANESE BUSINESS AT THE 1974 SPRING CANTON TRADE FAIR

REF: A. HK 5214; B. PEKING 800 ; C. TOKYO 6383

SUMMARY. THE 1974 SPRING CANTONTRADE FAIR WAS A MAJOR DIS-
APPOINTMENT FOR JAPANESE BUSINESSMEN. WHILE ATTENDANCE
REMAINED HIGH, TOTAL BUSINESS DECLINED TO \$180 MILLION, A
DROP OF 40 PERCENT COMPARED WITH THE 1973 FALL FAIR. HIGH
PRICES AND LARGE INVENTORIES OF PRC PRODUCTS DUE TO VOER-
BUYING LAST YEAR WERE PRINCIPALLY RESPONSIBLE FOR THE DECLINE
IN BOTH PURCHASES AND SALES. INCREASED BUSINESS DONE OUTSIDE
THE FAIR SHOULD, HOWEVER, QUARANTEE THE CONTINUED EXPANSION
IN THE VALUE OF SINO-JAPANESE TRADE. END SUMMARY.

1. THE 1974 SPRING CANTON TRADE FAIR WAS DISAPPOINTING
FOR MOST PARTICIPANTS (REFS A AND B), BUT ESPECIALLY FOR THE
JAPANESE. ACCORDING TO HK JAPANESE CONGENOFF TAKAHASHI
WHO ATTENDED THE FAIR, TOTAL VALUE OF BUSINESS DECLINED
BY 40 PERCENT TO \$180 MILLION COMPARED WITH \$300 FOR THE
1973 FALL FAIR. LARGE JAPANESE STOCKPILES OF PRC PRODUCTS
AND HIGH PRICES ON BITH SIDES WERE RESPONSIBLE FOR THE
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DROP IN BOTH SALES AND PURCHASES. ATTENDANCE, HOWEVER,

REMAINED SIMILAR TO LAST FALL WITH 2,600 JAPANESE BUSINESSMEN TAKING PART. AS IN THE PAST, JAPAN HAD THE LARGEST NUMBER OF BUSINESSMEN AT THE FAIR.

2. IN DISCUSSIN JAPANESE PURCHASES, TAKAHASHI SAID THESE WERE GENERALLY ESTIMATED AT \$80 MILLION, BUT MANY TRADERS THOUGHT THIS OPTIMISTIC. OVERBUYING LAST YEAR AND A DECLINE IN THE JAPANESE DOMESTIC MARKET REDUCED RAW SILK PRUCHASES TO 1,500 BALES OR ABOUT ONE-TENTH OF THE NORMAL FAIR VOLUME. THE SAME CONDITIONS LIMITED PRC TEXTILES SALES TO A SMALL AMOUNT OF COTTON CLOTH. BUSINESS IN GARMENTS (20 MILLION) WAS DONE AT A SPECIAL FAIR HELD IN SHANGHAI PRIOR TO THE FAIR IN CANTON. ALTHOUGH TAKAHASHI DID NOT HAVE TOTAL FIGURES , A JAPANESE PRESS REPORT PUT THE VALUE OF TEXTILE AND RAW SILK CONTRACTS AT ONE-SIXTH OF THESE SIGNED AT THE FALL FAIR (NIHON KEIZAI SHIMBUN, 5/14/74).

3. JAPANESE PURCHASES OF FOODSTUFFS ERE ALSO DOWN SUBSTANTIALLY FROM LAST FALL DUE TO SLUGGISH MARKET CONDITIONS AND BIG INVENTORIES IN JAPAN. AS AN EXAMPLE, JAPANESE PURCHASED ON 220 TONS OF PRAWN (50), SHRIMP (100) AND JELLY FISH (70), COMPARED WITH 7/200 TONS OF THESE PRODUCTS LAST FALL. PURCHASES WERE ALSO MADE IN CHESTNUTS (5,000 MT, \$6.4M) AND SOYBEANS (40,000 MT, \$10.2M).

4. IN METALS, THE JAPANESE PURCHASED TALC (60,000MT), FLOURSPAR (20,000 MT), AND ANTHRACITE COAL (40,000 TO 60,000MT). THE ALSO BOUGHT 120 TONS OF LACQUER DESPITE A 40 PERCNE PRICE INCREASE OVER THE FALL FAIR.

5. ON THE EXPORT SIDE, JAPANESE SALES WERE HELD TO AN ESTIMATED \$100 MILLION. THIS FIGURE MAY, HOWEVER, INCLUDE PARTY FOA REPORTED SALE OF 30,000 TONS OD ?25#358: *8?3

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:9559, *ABRICS WORTH \$71 MILLION (20 BILLION Y) MADE IN PEKING PRIOR TO THE FAIR (KYODO, 4/12/74). ACCORDING TO TAKAHASHI, TRADE SOURCES HINTED THAT PART OF THIS SALE (INVOLVING EIGHT FIRMS) WAS FINALIZED IN CANTON AT THE BEGINNING OF THE FAIR.

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6. IN ADDITION TO FIBERS, THE JAPANESE ALSO DID WELL IN CHEMICALS WITH SALES ESTIMATED AS HIGH AS \$20 MILLION. HOERE THE JAPANESE MAY HAVE ENJOYED SOME ADVANTAGE SINCE GERMAN SOURCES COMPLAINED THAT LOWER PRICES DUE TO GREATER AVAILABILITIES ALLOWED THE JAPANESE TO TAKE BUSINESS AWAY FROM TRADITIONAL EUROPEAN SUPPLIERS. ACCORDING TO JAPANESE CONGEN AND TRADE SOURCES, SALES OCCURED IN BENZENE (19,500 MT, \$6.7 M); MENTHOL (3,100 MT,

\$1.2M), DOP (1,000 MT, \$1M) ; AND SMALLER AMOUNTS OF ACETYLENE AND RESIN. NO SALES WERE REPORTED IN DYESTUFFS AND AGRICULTURAL CHEMICALS.

7. IN OTHER AREAS, JAPANESE MADE SMALL SALES IN MEASURING EQUIPMENT, ELECTRONIC COMPONENTS AND SPARE PARTS. LITTLE BUSINESS WAS DONE IN HEAVY MACHINERY AND MACHINE TOLLS SINCE JAPANESE PRICES WERE 20 TO 30 PERCENT HIGHER THAN THOSE OF THEIR EUROPEAN COMPETITORS.

8. COMMENT: DESPITE THE SHARP DROP IN BUSINESS, THE FAIR'S PERFORMANCE SHOULD HAVE LITTLE EFFECT ON THE CONTINUING GROWTH IN SINO-JAPANESE TRADE. REDUCED JAPANESE DEMAND FOR CHINESE RAW SILK, TEXTILES, AND SEA FOOD SHOULD BE MORE THAN COMPENSATED BY A LARGE INCREASE IN THE VALUE OF PRC PETROLEUM EXPORTS (HK A-96). ALREADY CONCLUDED CONTRACTS FOR JAPANESE STEEL, FERTILIZERS AND CHEMICALS HAVE SHOWN LARGE INCREASES IN VALUE OVER LAST YEAR (HK 3221). MACHINERY AND VEHICLES SALES (NORMALLY DONE OUTSIDE THE FAIR) ARE ALSO EXPECTED TO INCREASE. FOR THE FIRST FOUR MONTHS OF 1974, PRC EXPORTS TO JAPAN TOTALLED \$387 MILLION, AN INCREASE OF 77 PERCENT OVER LAST YEAR'S RECORD GROWTH. PRC IMPORTS FROM JAPAN INCREASED BY 35 PERCENT TO \$422 MILLION FOR A PRC TRADE DEFICIT WITH JAPAN OF \$35 MILLION. THIS COMPARES WITH DEFICIT WITH JAPAN OF \$71 MILLION IN THE FIRST QUARTER OF 1973 AND \$19 MILLION IN THE FOURTH QUARTER OF 1973.
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